



Republican Policy Committee

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"Lockbox" Protects Program

Using Medicare Savings for Tax Cuts Would Be Illegal Under Finance Committee Bill

"The Democrats have fabricated the Medicare-tax cut connection because it is useful politically."

Washington Post
September 25, 1995

The Medicare program must be saved from insolvency whether or not middle class Americans get tax relief.

- The *only* link between Medicare reform and tax cuts exists in the White House's rhetoric.
- Medicare is going broke.
 - According to the program's trustees — three of whom are Clinton-appointed Cabinet Secretaries — Medicare will be unable to pay hospital bills for seniors beginning in just seven years unless decisive action is taken *now*.
 - Their April 1995 report stated: *"The Trustees believe that prompt, effective and decisive action is necessary."*
- Congress' plan would preserve Medicare by slowing its rate of growth — *not* by cutting spending on the program.
 - The bill provides for \$1.62 trillion in Medicare spending over the next seven years, allowing the program to grow at more than twice the rate of inflation.
 - Average Medicare spending per beneficiary would rise from \$4,800 this year to \$6,700 in 2002.

Medicare savings would be used only to save Medicare under the Senate Finance Committee bill.

- The law requires that money saved on the Medicare program *stays* in the Medicare program.
 - Under current law, premiums and payroll taxes paid into the Medicare trust funds may *only* be used for the Medicare program.
 - This is true both of the trust fund that pays hospital expenses (known as “HI”) and of the trust fund that pays physician and other expenses (known as “SMI”). As trustees for both funds stated in the April 1995 report: *“The assets of the trust fund may not be used for any other purpose.”*
- The Senate Finance Committee’s Medicare reform proposal strengthens these protections as never before. Under these new safeguards, *all savings to the federal government that result from higher beneficiary premiums and deductibles must be invested in the HI trust fund.*
 - This “lockbox” provision assures that when seniors pay their premiums today, they are keeping Medicare secure for tomorrow.
 - Under this provision, every single cent saved or paid *must* be devoted to preserving Medicare — *never* has this guarantee been more clear or more secure than it is with the Finance Committee legislation.
- House Minority Leader Gephardt, in a September 25 letter to the editor of the *Washington Post*, wrote, “Let’s promise to make Medicare savings and reforms only to preserve Medicare itself.”
 - The Finance Committee bill fulfills this promise, assuring that Medicare savings resulting from the bill’s reforms would *only* be used to preserve Medicare itself.
 - The bill would make it *illegal to use Medicare savings for tax cuts*, welfare spending or for any other purpose.
 - This bill doesn’t just strengthen Medicare, it strengthens our commitment to it.

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